

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 EB-07 TRSE-00 OES-07 IO-13
NSC-05 SP-02 INR-07 CIAE-00 OMB-01 PM-04 ACDA-07
IGA-02 L-03 USIA-06 SS-15 DODE-00 ERDA-05 NRC-05
/105 R

DRAFTED BY AID/BIS:MDWYRE-NEA/INS:JRGRAHAME:JES
APPROVED BY NEA:ADUBS
EB/ODF:JWINDER
TREASURY:THOOPENGARDNER (DRAFT)
ASIA/GC:MORRIS
AA/PPC:ASHAKOW
ASIA/DP:COHEN
AID/ASIA:PBOUGHTON
NEA/INS:DKUX
AA/ASIA:JSULLIVAN

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R 110011Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 135360

FOR AMBASSADOR FROM DUBS AND SULLIVAN

E.O. 11652: GDS

TAGS: EAID, IN, US

SUBJECT: BILATERAL AID TO INDIA

REF: (A) STATE 118533 (B) NEW DELHI 8266

SUMMARY: YOUR INSTRUCTIONS ON RELATIONS WITH INDIA (REFTEL)
AUTHORIZE YOU TO INFORM THE INDIANS THAT WE ARE PREPARED TO
DISCUSS RESUMPTION OF DEVELOPMENT ASSISTANCE FROM A.I.D.
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AND COMMENCE TECHNICAL DISCUSSIONS ON THIS IF THE INDIANS
DESIRE. IF THE GOI WISHES TO PURSUE SUCH TALKS, THERE ARE
A NUMBER OF ISSUES TO BE AIRE. THESE CONCERN THE PROGRAM
LEVELS IN FY 78 AND BEYOND, TIMING OF THE DISCUSSIONS,
FOCUS, SHAPE AND CHARACTER OF PROGRAM, AND LEGISLATIVE PRO-
VISIONS ON NUCLEAR TRANSFERS. THE PURPOSE OF THIS MESSAGE
IS TO PROVIDE GUIDANCE WHICH YOU MAY DRAW ON WHEN YOU

CONSIDER IT TIMELY AND APPROPRIATE.

1. AID LEVELS. YOU CAN INFORM THE GOI THAT WE ARE WILLING IN PRINCIPLE TO RESUME A BILATERAL DEVELOPMENT AID PROGRAM AT ABOUT 60 MILLION DOLS IN FY 1978, SUBJECT TO ADJUSTMENT BASED ON ACTUAL APPROPRIATION LEVELS. YOU SHOULD NOTE THAT BOTH THE HOUSE AND SENATE ARE CONSIDERING AMENDMENTS TO THE FY 78 DEVELOPMENT ASSISTANCE AUTHORIZATION BILL CONCERNING

AN INDIA PROGRAM. THE HOUSE AMENDMENT WOULD ADD 61.7 MILLION DOLS FOR AN INDIA PROGRAM. THE HOUSE COMMITTEE REPORT SUGGESTS THAT A NEW PROGRAM COULD CONCENTRATE ON INCREASING SMALL-FARMER PRODUCTION AND INCOME AND CREATING JOBS FOR THE RURAL POOR. THE SENATE AMENDMENT REQUESTS THE PRESIDENT TO COMMIT UP TO 60 MILLION DOLS OUT OF FUNDS AUTHORIZED TO BE APPROPRIATED UNDER SECTION 103 (FOOD AND NUTRITION) FOR THE PURPOSE OF ASSISTING INDIA WITH FOREIGN EXCHANGE COSTS INCURRED IN CONNECTION WITH THE CONSTRUCTION OF GRAIN STORAGE FACILITIES OR OTHER PURPOSES JUSTIFIED UNDER THIS SECTION. THE QUESTION OF THE FY 79 LEVEL IS SOMETHING TO BE DISCUSSED WITH THE INDIANS, AND YOU SHOULD NOTE THAT AN EARLY PLANNING FIGURE IS NEEDED TO GET INDIA INTO OUR REGULAR BUDGETING PROCESS, HOPEFULLY BEFORE AUGUST 1. (SEE PARA 2C BELOW)

2. TIMING: YOU SHOULD LET THE INDIANS SET THE PACE OF THE DISCUSSIONS KEEPING IN MIND THE FOLLOWING FACTORS:

A) WE WANT TO PACE BUDGET DECISIONS ON FUNDING AN FY 78 BILATERAL PROGRAM TO AVOID CREATING PROBLEMS FOR THE IDA V
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REPLENISHMENT (CONGRESSIONAL ACTION ON THE IFI APPROPRIATIONS IS LIKELY TO BE COMPLETED BEFORE AUGUST BUT THE PROCESS COULD BE DELAYED UNTIL SEPTEMBER).

B) HOWEVER, SINCE AGREEMENT ON THE TYPE OF PROGRAM AND AID RELATIONSHIP BETWEEN GOI AND U.S. WILL BE NECESSARY BEFORE THE EXECUTIVE BRANCH REACHES SUCH BUDGET DECISIONS, AND THE DISCUSSIONS WITH THE GOI MAY TAKE SOME TIME TO COMPLETE, WE SHOULD NOT TRY TO DELAY THESE TALKS.

C) IT WOULD BE DESIRABLE TO FIT CONSIDERATION OF AN FY 79 PROGRAM INTO OUR NORMAL BUDGET CYCLE AS SOON AS IS FEASIBLE WE RECOGNIZE A NEED FOR FLEXIBILITY ON THIS SCORE. HOWEVER YOU SHOULD BE AWARE OF THE FOLLOWING KEY TARGET DATES:

1) AUGUST 1, 1977: REGIONAL BUREAUS SUBMIT PROPOSALS TO A.I.D. CENTRAL POLICY PLANNING AND COORDINATION BUREAU FOR REVIEW.

2) SEPTEMBER 15, 1977: AID'S SUBMISSION TO OMB.

3) NOVEMBER, 1977: PRESIDENTIAL DECISIONS ON LEVEL FOR FOREIGN ASSISTANCE.

3. PROGRAM FOCUS AND SHAPE. WHILE ANY NEW PROGRAM SHOULD EMERGE FROM A REVIEW OF THE NEEDS AND PRIORITIES ESTABLISHED BY THE NEW INDIAN GOVERNMENT, WE BELIEVE THE PRIORITY AREA SHOULD BE AGRICULTURAL AND RELATED DEVELOPMENT

ACTIVITIES. RECENT LANGUAGE BY THE HOUSE INTERNATIONAL RELATIONS COMMITTEE IN REPORTING THE AID AUTHORIZATION ACT THIS YEAR AS WELL AS SENATE AND HOUSE AMENDMENTS ON INDIA SUPPORT THIS POINT. A RESUMED AID PROGRAM SHOULD BE SHARPLY FOCUSED ON A LIMITED NUMBER OF ACTIVITIES, WOULD RELY HEAVILY ON AVAILABLE INDIAN EXPERTISE, AND MIGHT BE UNDERTAKEN IN COLLABORATION WITH WORLD BANK PRO-
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GRAMS. WE WANT TO KEEP AID STAFF AT A LOW PROFILE, WHILE MAINTAINING THE MINIMUM STAFF NECESSARY FOR PRUDENT AND EFFECTIVE PROGRAM MANAGEMENT AND DEVELOPMENT.

4. NUCLEAR TRANSFERS. INDIA IS NOT PRESENTLY IN VIOLATION OF SECTION 669 OF THE FOREIGN ASSISTANCE ACT SINCE, TO OUR KNOWLEDGE, IT HAS NOT DELIVERED OR RECEIVED ANY NUCLEAR REPROCESSING OR ENRICHMENT EQUIPMENT, MATERIALS OR TECHNOLOGY SINCE SECTION 669 WAS PASSED IN JUNE 1976. HOWEVER, YOU SHOULD ENSURE THAT THE GOI IS FULLY ACQUAINTED WITH THIS PROVISION IN OUR LAW WITHIN THE CONTEXT OF AID DISCUSSIONS. ALSO YOU MAY WISH TO ENSURE GOI IS AWARE PROVISION MAY BE ADDED TO FAA DEALING WITH NUCLEAR DETONATIONS. UNDER AMENDMENT REPORTED OUT BY THE SENATE FOREIGN RELATIONS COMMITTEE, SEC. 669 WOULD BE CONFINED TO ENRICHMENT TRANSFERS. NEW SEC. 670 WOULD COVER REPROCESSING TRANSFER AND NUCLEAR DETONATIONS WITH WAIVER STANDARD OF WHETHER CESSATION OF ASSISTANCE WOULD BE "SERIOUSLY PREJUDICIAL TO THE ACHIEVEMENT OF U.S. NON-PROLIFERATION OBJECTIVES OR OTHERWISE JEOPARDIZE THE COMMON DEFENSE AND SECURITY." ALTHOUGH THIS AMENDMENT IS CONTAINED IN THE SECURITY SUPPORTING ASSISTANCE AUTHORIZATION BILL, IT WOULD APPLY TO ALL FUNDS UNDER THE FAA INCLUDING DEVELOPMENT ASSISTANCE. EFFECTIVE DATE WOULD BE DATE OF ENACTMENT INTO LAW; THERE IS JUDGED TO BE GOOD CHANCE OF THIS BEING ENACTED. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE135360
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/INS:JRGRAHAME:JES
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770209-0807
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770666/aaaacftd.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 345ce57e-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 118533, 77 NEW DELHI 8266
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2185081
Secure: OPEN
Status: NATIVE
Subject: BILATERAL AID TO INDIA
TAGS: EAID, IN, US
To: NEW DELHI
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/345ce57e-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009